

**STATE OF KANSAS
DEPARTMENT OF HEALTH AND ENVIRONMENT
DIVISION OF ENVIRONMENT
BUREAU OF WATER**

**INTENDED USE PLAN
FOR
THE KANSAS PUBLIC WATER SUPPLY LOAN FUND**

FISCAL YEAR 2007

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I. INTRODUCTION

In 1996 the Safe Drinking Water Act (SDWA) established the Drinking Water State Revolving Fund (DWSRF) to assist public water supply systems in financing the costs of infrastructure needed to achieve or maintain compliance with SDWA requirements, and to protect public health. The Kansas Public Water Supply Loan Fund (KPWSLF) was established in 1997 by K.S.A. 65-163d through 65-163u. The Environmental Protection Agency (EPA) makes capitalization grant money available to the state for operation of the KPWSLF.

Both state and federal law require preparation of an annual intended use plan (IUP), to identify projects and activities to be supported by the federal appropriation. The IUP is submitted to the EPA as part of an application for the capitalization grant. EPA regulations require the state's IUP to include the following elements:

- A list of projects to be assisted by the KPWSLF, including a description of the project and population served;
- The criteria and methods established to distribute the funds;
- A description of the financial status of the KPWSLF;
- A description of the long and short-term goals for the KPWSLF;
- A description of non-project activities (set-asides) to be funded from the capitalization grant, and;
- A description of how assistance will be provided to disadvantaged communities.

The SDWA requires states to give priority to projects that address the most serious risks to human health, that are necessary to achieve compliance with the SDWA, and to assist public water supply systems most in need on a per-household basis. State law requires KDHE to encourage regional, cooperative public water supply projects in accordance with the regionalization strategy of the state water plan.

The Kansas Public Water Supply Loan Fund (KPWSLF) will continue to operate as a leveraged loan program. In a leveraged program, the EPA capitalization grant is not loaned to public water supply systems. Instead, the capitalization grant is deposited in a reserve account, and pledged as security for repayment of state issued revenue bonds (leverage bonds). The reserve account will be equal to no less than 25% of the amount of revenue bonds outstanding (both leveraged bonds and state match bonds). The revenue bond proceeds are loaned to municipalities. Investment earnings from the reserve account are combined with loan repayments from municipalities, thus allowing loans to be offered at interest rates less than the market rate.

As of this publication date, Kansas had been allotted \$102,107,800 in Capitalization Grants from FFY 1997 thru FFY 2006, and will apply for the FFY 2007 Grant (estimated at \$8,268,800) when it becomes available during the fiscal year. The total amount of funding available for the 2007 IUP projects will be calculated with the assumption that the 2007 Capitalization Grant will be available to disburse into the KPWSLF reserve account during the program year.

II. LIST OF PROJECTS

On March 9, 2006, letters soliciting projects to be considered for funding were sent to the state's 823 public water suppliers eligible to receive assistance from the Kansas Public Water Supply Loan Fund. This mailing resulted in the submittal of 34 new projects with a total estimated cost of over \$72 million, to score for potential listing in this IUP. The new projects were ranked and combined with remaining projects on the 2006 Project Priority List (PPL), to create the 2007 PPL.

KDHE is required to assure that projects funded in an amount "equivalent" to the capitalization grant comply with certain federal laws and executive orders dealing with environmental and socio-economic requirements, called cross-cutters. Once "equivalency" is achieved, the number of cross-cutting requirements is reduced significantly. KDHE intends to continue the practice of issuing post equivalent loans during this program year. The total of all capitalization grants, expected to be awarded through FY2007, is \$110,376,600. The total amount of loans awarded as equivalent projects from year to date is \$ 192,760,787. This leaves Kansas with a \$82 million equivalency credit. The Environmental Review Process remains unchanged.

III. CRITERIA AND METHODS FOR DISTRIBUTING FUNDS

The Kansas Department of Health and Environment developed a Project Priority System to rank all projects submitted for funding. The system provides a clear, objective order of ranking for public water supply infrastructure improvements. The Project Priority System is attached as Appendix C.

The funding order of projects may not be identical to the priority ranking in the project list. Readiness to proceed is an important factor, however, the general order of project ranking will be followed to the extent a project's sponsor is ready to proceed. The PPL lists all eligible and current projects that have been submitted for loan fund consideration. Projects that are not expected to be ready to proceed were moved to the bottom of the list. Since KDHE can conceivably fund all projects on the list all systems on the Project Priority List will be sent an application. Following adoption of this IUP, KDHE will write the sponsors for all projects and establish a deadline to submit a complete application, including financial information and environmental review comments. Failure to submit complete applications by this deadline may cause a delay in funding.

State law requires KDHE to make 20% of the total money in the Loan Fund available to public water supply systems serving less than 5000 people (The SDWA requires 15% of the Fund to be made available to systems serving less than 10,000 people.) Small systems represent 46% of the loan funds in the 2007 PPL.

KDHE always reserves the right to fund lower priority ranking projects over higher priority ranking projects, if in its opinion, a higher priority project's sponsor has not taken the steps necessary to

expeditiously apply for funding. If a project must be bypassed because of a delay, it will be funded when it is ready to proceed, if loan funds are available and if the project still has a favorable priority rating. The ability to bypass projects which are not ready to proceed, will give a greater probability that all available loan funds can be committed. Additionally KDHE may elevate any eligible project to the project priority list due to emergency conditions.

One of the purposes for the revolving loan fund stated in the SDWA is to provide assistance to those systems most in need, on a per household income basis. The SDWA provides the opportunity to assist economically disadvantaged communities by allowing 30% of the capitalization grant to be used for loan subsidies, including principal forgiveness. The Kansas statutes authorizing the public water supply loan fund do not provide for grants, or forgiveness of principal. However, the KDHE project priority system includes a scoring criterion based on the applicant's median household income compared to the statewide median household income. This helps assure lower income projects have access to the Loan Fund.

IV. FINANCIAL STATUS OF THE KPWSLF

The Kansas Public Water Supply Loan Fund is audited annually by a certified public accounting firm in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The most recent audit received an unqualified opinion.

The reserve account table below and bond leveraging table on the next page, show details of the reserve account deposits and bond leveraging made from those deposits since the start of the program. Senate Bill 487 was passed by the 1998 Kansas Legislature and added an additional \$5,000,000 to the reserve account.

Fiscal Year of Grant	Capitalization Grant Earmarked for Reserve Account	Amount Deposited into the Reserve Account from SB 487	Amount Deposited into the Reserve Account**
1997	\$11,776,871		\$11,776,871
1998	\$9,407,614	\$1,000,000	\$10,407,614
1999	\$9,860,036		\$9,860,036
2000	\$10,393,127	\$4,000,000	\$14,393,127
2001	\$9,969,176		\$9,969,176
2002	\$9,001,632		\$9,001,632
2003	\$8,812,032		\$8,812,032
2004	\$9,141,216		\$9,141,216
2005	\$7,934,148		\$7,934,148
2006	\$7,310,128		\$0
2007*	\$7,448,048		\$0
	\$101,054,028	\$5,000,000	\$91,295,852

* Grant value estimated

** As of June 30, 2006

As bonds are paid off, the amount of money needed in the Reserve Account is also reduced. It is expected that any Reserve Account funds determined to be excess, will be de-allocated into the Recycled Fund Account as they will no longer be needed for leveraged bond security. This money will be available for recycled loans or to put back into the Reserve Account if the need for leveraging out paces available Capitalization Grants.

Bond Leveraging

Year of Bond Issue	Bonds Leveraged from Reserve Account	State Match Bonds	Money Available to Loan Including State Match	Moody's Bond Rating	Fitch Bond Rating	Standard & Poor's Bond Rating
1997	\$42,490,000	\$2,930,000	\$43,793,586	A2	A+	
1998	\$37,615,000	\$2,075,000	\$38,866,142	A2	AA-	
2000	\$46,860,000	\$6,640,000	\$50,299,266	A2	AA	
2002	\$47,705,000	\$4,100,000	\$50,199,333	Aa3	AA	AA+
			\$1,846,927***			
			\$1,835,840***			
			\$327,900***			
2004 New	\$93,255,000	\$3,230,000	\$100,000,000	Aa1	AAA	AAA
2004 Refund	\$73,060,000	\$6,465,000		Aa1	AAA	AAA
Eliminated by Refunding	-\$75,775,000	-\$6,460,000				
Totals	\$265,210,000	\$18,980,000	\$287,168,994			

*** State Match deposit for 2002, 2003, and partial deposit for 2004 Grant

As of June 30, 2006, KDHE had 147 loan agreements or offers in place for a total of \$330,457,196.25.

The FY06 grant was awarded on June 1, 2006. The Fund will use the group of projects method for cash draws from the leveraged reserve portion of the Capitalization Grant. The group is defined as the first \$4,477,762 drawn from Project # 2446 which belongs to the City of Gardner, and the first \$4,477,762 drawn from Project # 2379 which belongs to the Kansas City Board of Public Utilities. The Capitalization Grant was scheduled to draw \$3,654,872 by March 31, 2006, \$3,654,872 by June 30, 2006, and \$183,831 for the next five quarters. Due to the timing of the grant award, those amounts have not been drawn as of June 30, 2006. The application for the FY07 grant will be submitted to EPA when funds are available and the draw schedule will be determined at that time.

An estimated \$7,448,048 from the 2007 Capitalization Grant should be available to deposit in the reserve fund as the Kansas draw ratio allows for incurred costs during the program year. A recent cash flow and capacity analysis shows the program should be able to support \$165,000,000 in

additional bonds. As of June 30, 2006 the Fund had committed \$41,778,011.04 more in loans than it had available from bond proceeds. Because the Fund had \$33,068,095.83 in unexpended dollars, the over commitment of loan funds does not produce a cash flow problem. This over commitment amount is subtracted from the \$165,000,000 in additional bond capacity to yield \$123,221,989. This amount, plus available recycled funds, minus cost of bond issuance, will be potentially available to loan to municipalities. The funds potentially available are more than enough to fund all projects on the 2007 PPL at \$132,170,312.

The recycled loan account, which contains program revenues in excess of funds needed to make revenue bond principal and interest payments, contained \$20,517,331.76 as of May 31, 2006. Use of the recycled loan account is discussed in section VII.

KDHE will continue to write loan agreements committing funds up to the maximum commitment level of \$132 million, pending award of the 2007 Capitalization Grant and use existing funds to make payments. The program will schedule another borrowing (expected in the spring of 2007) to meet cash flow requirements, or if market conditions require, to secure an interest rate which assures the program's principal and interest coverage requirements are met.

More detailed financial information can be found in the KPWSLF Annual Report. The most recent report covers the program through June 30, 2005. This and future annual reports can be found on the KDHE web site www.kdheks.gov/pws/loan/loanfund.htm.

V. INTEREST RATES

In accordance with K.A.R 28-15-52, the KPWSLF interest rate will continue to be set at 80% of the previous three months' average Bond Buyers 20 Year Bond Index.

VI. SHORT AND LONG-TERM GOALS OF THE KPWSLF

The state will pursue the following short-term goals as it implements the program.

1. Provide funding options for systems to correct problems that have caused enforcement actions.
2. Provide funding for replacement of deteriorating infrastructure.
3. Provide funding to every eligible project listed in the Intended Use Plan that is ready to proceed.
4. Provide funding for technical assistance to small systems.
5. Encourage projects that consolidate or interconnect in a regional manner which would reduce public health risks or make more efficient use of source water capacity and treatment processes.

6. Provide loans to assist applicants in complying with drinking water standards, improving drinking water quality in the state, and improving Kansas public water supply infrastructure.
7. Assure small public water supply systems are included in the loan program by providing at least 20% of available loan funds to systems serving a population of less than 5000.
8. Assist communities which qualify for Community Development Block Grants from the Kansas Department of Commerce by reserving a portion of the recycled loan account to provide loans to serve as local match.
9. Assure Kansas municipalities are aware of the KPWSLF and the potential for financial savings through participation.

The state will pursue the following long-term goals, as it implements the program.

1. Maintain a well managed perpetual program to allow a source of funds to be available to systems in need.
2. Encourage systems to choose projects with the most cost effective solutions.
3. Encourage systems to implement projects that have little if any significant impact to the environment.
4. Continue to implement and expand the Capacity Development Program.
5. Explore ways to make the program more affordable/desirable to systems.
6. Comply with state and federal laws and the state/EPA capitalization grant agreement.
7. Assist water suppliers in meeting SDWA requirements.
8. Protect public health.

VII. RECYCLED LOAN ACCOUNT

The Recycled Loan Account consists of program revenues in excess of the amounts needed to make bond principal and interest payments. As of May 31, 2006, the account contained \$20,517,331.76 of which \$1,058,902.92 has been committed to recycled loans. KDHE will reserve \$1,850,000 of the uncommitted amount to serve as local match for communities with projects competing for funding from the Kansas Department of Commerce Community Development Block Grant (CDBG) program. Project sponsors providing local match equal to the amount of requested CDBG funding are more likely to be funded than sponsors that do not provide local match. Because the funding cycle for the CDBG program does not coincide with the KPWSLF IUP program year, these projects need not be in listed on the PPL. These projects would only receive funding if they are eligible and

would have ranked high enough to receive funding if on the PPL.

In order to qualify for CDBG funding, over 51% of the households benefiting from the project must be of low to moderate income. By matching state loan dollars with CDBG funding, the KPWSLF will achieve one of the objectives of the Safe Drinking Water Act, which is to assist communities most in need on a household income basis.

If interest in funding from the Recycled Loan Account exceeds the reservation of \$1,850,000 KDHE will fund the highest ranking projects, according to KPWSLF criteria. All projects and project sponsors will be required to meet all requirements of the KPWSLF to receive funding.

If needed, KDHE can commit recycled loan funds once all bond proceeds have been committed to avoid over committing those bond proceeds. Recycled Loan Account funds could also be used to make project payments if all bond proceeds were expended. This is extremely unlikely to happen.

VIII. DESCRIPTION OF NON-PROJECT ACTIVITIES TO BE FUNDED

Section 1452(g)(2) and 1452(k)(1) of the SDWA provides the state certain opportunities to reserve a portion of the capitalization grant to assist with administration of the loan fund and other program requirements. The following is a list of uses that Kansas plans to utilize set-asides from the 2007 Capitalization Grant for:

- A. administration of the KPWSLF (up to 4%);
- B. technical assistance to systems serving 10,000 or fewer persons (up to 2%);
- C. state program management (up to 10%)
 - 1) To administer the State PWSS program;

The state must match any set-aside under item C above dollar for dollar, in addition to providing the 20% matching funds to receive the capitalization grant. At least half of the match must be in addition to the amount spent by the state to match its public water supply supervision grant in FY 93. There are no additional match requirements for the remainder of the set-asides. Any funds, which are reserved but not spent, will not be lost.

With the 2007 Capitalization grant award, Kansas will reserve 4% for administration (estimated at \$330,752), 2% for technical assistance (estimated at \$ 165,376) plus an additional \$124,624 from credits of previous grants (\$290,000 total), and \$200,000 for State Program Management. A table at the end of this section shows all the set-aside credits KDHE has taken to date. The state also has the option of transferring unspent set-asides to the loan fund in future years.

A. Program Administration.

Activities funded with this set-aside include financial reviews, project review and approval, project ranking, priority list management, tracking of loan repayments, construction inspection, and updating the needs survey.

B. Small System Technical Assistance.

Funds from this set aside are used to provide technical assistance to public water suppliers serving less than 10,000 people. Work conducted under this set-aside will continue to be through contracts with the Kansas Rural Water. In order to maintain the level of funding for this set-aside, KDHE will use reserve credits from previous grants. Any balance not used will be reserved for continued technical assistance to small systems in the future. Assistance will be provided in the areas of compliance, operation and maintenance, and management, with a focus on systems with drinking water violations to return to compliance. Systems will benefit in resolving MCL and treatment technique violations, and responding to water quality complaints including low-pressure problems. Systems operating surface water treatment plants will receive training in operational tests, chemical dosages, filter operations, and record keeping.

C. State Program Management.

Specific activities funded from the 2007 Capitalization Grant will be to maintain and update the SDWIS database. Up to 10% of the capitalization grant can be used for these activities, but available state match can limit the amount reserved.

More details of these Set-Asides can be found in Appendix B.

SUMMARY OF CAPITALIZATION GRANT USES

	FY 2007*
Reserve Account	\$7,448,048
Administration	\$330,752
Technical Assistance	\$290,000
State Program Management	\$200,000
Other Authorized Activities	
Total	\$8,268,800

* Grant not yet allotted, values are estimated

HISTORY OF CREDITS TOWARD FUTURE GRANTS

Year of Capitalization Grant	Technical Assistance Set Aside	State Program Management Set Aside	Administration Set Aside
1997		\$422,071	
1998		\$485,000	
1999		\$485,000	
2000	\$145,717	\$485,000	
2001			\$1,674
2002		\$181,626	\$369,388
2003	\$183,584	\$485,000	
2004	\$190,442		
2005	-\$50,000		-\$371,062
2006	-\$125,422		
*2007	-\$124,624		
Totals	\$219,697	\$2,543,697	\$0

* Estimated

VIII. PUBLIC REVIEW

A public hearing on the FY2007 Intended Use Plan and Priority Ranking System was held on June 30, 2006. Copies of the draft FY2007 IUP were mailed to all public water suppliers listed on the Project Priority list (Appendix A), the League of Kansas Municipalities, the Kansas Rural Water Association, the Kansas Rural Water Finance Authority, and to consulting engineers in the state of Kansas. A copy of the meeting notice was published in the Kansas Register. The hearing attendance list and a summary of the hearing are included in Appendix D.

Appendix A

Project Priority List

2007 Project Priority List

July 1, 2006

Municipality Name	Project #	Priority Rating	Project Description	Loan Request \$	Accumulative Amount \$
* Severy	2484	38	Interconnection to Greenwood	\$150,000	\$150,000
* Osborne Co RWD #1A	2414	35	New Water Source to Reduce Nitrates	\$75,000	\$225,000
* Atlanta	2360	33	New Filter System, Standpipe, and Chlorination	\$100,000	\$325,000
* Arlington	2385	33	New Well and Existing Well Rehab	\$250,000	\$575,000
* Frontenac	2434	26	Well & Treatment plant Rehabilitation	\$1,882,000	\$2,457,000
* Conway Springs	2347	25	Nitrate Treatment	\$1,130,000	\$3,587,000
* Rooks Co RWD #3	2445	20	Distribution System Looping and Storage Tank	\$1,310,000	\$4,897,000
* Harvey Co. RWD #1	2426	20	New Wells and Distribution Expansion to Unserved Area	\$3,513,050	\$8,410,050
* Marysville	2435	18	New Water Well and Tower	\$1,266,817	\$9,676,867
* Greensburg	2431	18	New Water Supply Well	\$500,000	\$10,176,867
* Clay Center Public Utilities	2479	18	New WTP and Distribution Line Replacement	\$7,800,000	\$17,976,867
* Barnes	2432	18	Replace Water Distribution System	\$570,000	\$18,546,867
* Scammon	2421	16	New Well	\$190,000	\$18,736,867
* Nemah Co. RWD #2	2450	16	New Storage	\$300,000	\$19,036,867
* Little River	2330	16	Phase II Distribution System Improvements	\$1,381,112	\$20,417,979
* Copeland	2477	16	Install Water Meters	\$100,000	\$20,517,979
* Cherokee Co RWD #1	2473	16	Replace Distribution Lines	\$100,700	\$20,618,679
* Osage Co. RWD #5	2476	15	Distribution Line Upgrade	\$881,700	\$21,500,379
Manhattan	2462	15	Water Treatment Plant and Wellfield Improvements	\$14,191,693	\$35,692,072
* Linwood	2452	15	New WTP and Well	\$250,000	\$35,942,072
* Leavenworth Co RWD #7	2474	15	Distribution Line replacement	\$840,000	\$36,782,072
* Jefferson Co RWD #9	2441	15	New Well and Treatment Facility	\$600,000	\$37,382,072
* Jackson Co. RWD #3	2464	15	Line Extensions to serve new customers, and Waterline Rep	\$3,000,000	\$40,382,072
Baldwin	2430	15	Water Transmisson Main replacement	\$2,500,000	\$42,882,072
* Seneca	2469	13	Two New Wells and Connection Pipeline	\$1,250,000	\$44,132,072
* Parker	2482	13	Water Line Replacement	\$400,000	\$44,532,072
* Oswego	2459	13	Water Distribution System Replacement	\$1,500,000	\$46,032,072
* Norcatur	2429	13	Water Tower Rehabilitation	\$35,000	\$46,067,072
* Moran	2386	13	Distribution System Replacement	\$500,000	\$46,567,072
* Manchester	2483	13	Rehab Storage	\$70,000	\$46,637,072
* Eureka	2463	13	Secondary Source	\$650,000	\$47,287,072
* Ellis	2374	13	New Well Construction	\$300,000	\$47,587,072
* Crawford Co RWD #1	2437	13	Water Main Replacement	\$720,000	\$48,307,072
* Bogue	2460	13	Water Distribution System Replacement	\$334,020	\$48,641,092
* Bartlett	2480	13	Water Line Replacement	\$225,000	\$48,866,092
* Washington Co. RWD #1	2475	11	Storage Tank	\$1,200,000	\$50,066,092
* St. Marys	2375	11	Elevated Water Tower	\$750,000	\$50,816,092
* Reno Co RWD #1	2458	11	Water Tower Rehab, Valve replacement, and Telemetry	\$56,500	\$50,872,592
* Nickerson	2428	11	Connect to new well	\$350,000	\$51,222,592
Newton	2466	11	New Pumpstation	\$489,000	\$51,711,592
Newton	2465	11	Water Storage Rehab	\$650,000	\$52,361,592
* Effingham	2461	11	Rehab Water Tower and Chlorination Facilities, replace Water	\$500,000	\$52,861,592
* Council Grove	2246	11	New Raw Water Supply line from Federal Reservoir	\$100,000	\$52,961,592
* Bucklin	2440	11	Well and Tower Rehab and Waterline Replacement	\$100,000	\$53,061,592

**2007 Project Priority List
Continued**

July 1, 2006

* Tonganoxie	2401	10	Interconnect with BPU	\$2,600,000	\$55,661,592
* Rooks County RWD #1	2433	10	New Water Supply Well/Interconnection	\$232,320	\$55,893,912
* Rantoul	2410	10	Water Line Replacement	\$425,000	\$56,318,912
* Osage CO RWD # 7	2125	10	Replace 14 miles of lines	\$450,000	\$56,768,912
Olathe	2470	10	42" Transmission Main	\$15,500,000	\$72,268,912
* Leavenworth Co CRWD #1	2468	10	Replace Distribution Lines	\$550,000	\$72,818,912
Kansas City BPU	2471	10	WTP Storage Tank	\$4,000,000	\$76,818,912
* Johnson County RWD # 7	2283	10	Storage Tank and construction of Waterline	\$1,100,000	\$77,918,912
* Cherokee Co RWD #3	2444	10	Treatment Plant and Distribution Improvements	\$1,500,000	\$79,418,912
Bonner Springs	2453	10	New Plant and Well to meet capacity	\$9,660,000	\$89,078,912
* Pleasanton	2240	8	Water Transmission Main & Looping	\$288,400	\$89,367,312
* Glen Elder	2449	8	New Well	\$68,000	\$89,435,312
* Sabetha	2152	6	Storage tank and lines	\$730,000	\$90,165,312
* Mont. Co RWD #11	2389	5	Waterline Extension and Looping	\$100,000	\$90,265,312
Bonner Springs	2457	5	Water Main Replacement - Front Street	\$700,000	\$90,965,312
Bonner Springs	2456	5	Water Main Replacement - on 138th	\$300,000	\$91,265,312
Bonner Springs	2455	5	Water Main Replacement - Nettleton to 138th	\$500,000	\$91,765,312
* Louisburg ¹	2354	35	New Water Treatment Plant/Regional WSD	\$14,800,000	\$106,565,312
* Argonia ²	2344	28	Water Line Replacement	\$900,000	\$107,465,312
* Girard ¹	2352	16	Water Tower Construction	\$900,000	\$108,365,312
Emporia ¹	2276	16	Water Treatment Plant Upgrade	\$3,500,000	\$111,865,312
* Baxter Springs ²	2481	13	Water Line Replacement	\$1,000,000	\$112,865,312
Kansas City BPU ¹	2412	10	Argentine 7 MG Ground Storage	\$6,800,000	\$119,665,312
Kansas City BPU ¹	2411	10	Argentine 2 MG Elevated Tank	\$3,400,000	\$123,065,312
Kansas City BPU ¹	2380	10	Nearman Filter Expansion	\$8,052,000	\$131,117,312
* Douglas Co RWD #6 ¹	2403	5	Water Tower and Water Line Replacement	\$1,000,000	\$132,117,312

¹ Project is not expected to be ready to proceed during the program year and placed at the bottom of the PPL

² System must first resolve MCL violations before project can be funded

Appendix B

Program Year 2007 Set-Aside Work Plan

Sources and Uses Tables

Technical Assistance

<i>Funding Amt</i>	<i>FTE Projection</i>	<i>Goals, Objectives, Outputs and Deliverables</i>	<i>Anticipated Start and End Dates</i>	<i>Other Agency & Responsibilities</i>	<i>Evaluation Process</i>
\$290,000	3.5 Contractor	Provide a min. of 565 TA contacts to small Kansas Systems	On Going	Kansas Rural Water Association	Quarterly Reports from Contractor

Administration

<i>Funding Amt</i>	<i>FTE Projection</i>	<i>Goals, Objectives, Outputs and Deliverables</i>	<i>Anticipated Start and End Dates</i>	<i>Other Agency & Responsibilities</i>	<i>Evaluation Process</i>
\$330,752	5.0	Comply with State and Federal Requirements for Loan Program implementation, and Commit loan dollars on a timely basis. Financial review, Construction inspection, Project review	On Going	None	Annual Report and Annual Evaluation by EPA

State Program Management (1452(g))

<i>Funding Amt</i>	<i>FTE Projection</i>	<i>Goals, Objectives, Outputs and Deliverables</i>	<i>Anticipated Start and End Dates</i>	<i>Other Agency & Responsibilities</i>	<i>Evaluation Process</i>
\$200,000	Contractor	Maintain and update SDWIS- State data management system and migrate data from existing platforms	7/1/06 thru 6/30/07	Global Environmental Consulting	Monthly Meetings with Contractor

Other Authorized Activities (1452(k))

No funds from the 2007 grant will be reserved for this set aside

Sources and Uses

For Program year 2007

Sources:

Potential Net Bond Proceeds (based on financial analysis)	\$165,000,000
Undisbursed Capitalization Grants	\$8,687,450
Pending 2007 Capitalization Grant	\$8,268,800
Recycled Loan Account	\$20,517,331
Total	\$202,473,581

Uses:

Committed Loan Funds	\$42,836,913
Uncommitted Loan Funds (based on maximum Leveraging)	\$123,221,989
Recycled Loan Account Uncommitted	\$19,458,429
Reserve Fund	\$14,758,176
Program Set Asides	\$2,198,074
Total	\$202,473,581

Total amount available for new loans including recycled money = \$132,296,720.

Appendix C

Project Priority System

**State of Kansas
Kansas Department of Health and Environment
Division of Environment
Bureau of Water**

Federal Fiscal Year 2007
Kansas Public Water Supply Loan Fund
Project Priority System

July 1, 2006

Kansas Department of Health and Environment
Kansas Public Water Supply Loan Fund
Project Priority System
FY 2007

I INTRODUCTION

The SDWA and Kansas Statutes establishing the public water supply loan fund require KDHE to develop a project priority system; including ranking criteria to determine which projects should receive loans. In preparing a priority list, the Secretary is required to exclude projects from applicants who have not adopted and implemented water conservation plans consistent with Kansas Water Office guidelines. KDHE is also required to ensure that at least 20% of loan fund monies are made available to communities of less than 5000 people.

II PRIORITY RATING CRITERIA

The priority rating criteria are used to numerically rank projects for potential funding assistance from the Kansas Public Water Supply Loan Fund. State law and the SDWA both provide guidance on factors to be considered when ranking projects.

The SDWA requires priority be given to projects that address the most serious risks to human health, that are necessary to assure compliance with requirements of the SDWA (national primary drinking water regulations) and to assist public water supplies most in need, on a per household basis according to state affordability criteria.

Kansas statutes require KDHE to give consideration to projects consistent with the public water supply regionalization strategies developed in the Kansas Water Plan. Since no regionalization strategies have been proposed, the rating criteria cannot address this issue. However, the rating criteria do award points for system consolidation.

The Bureau of Water will consider the following factors in determining the numerical scores of each project:

- 1) Water quality issues, including compliance with maximum contaminant levels, treatment techniques, aesthetic factors, and unregulated contaminants.
- 2) Consolidation of systems;
- 3) Improvements to reliability;
- 4) State median and applicant household income levels;
- 5) Special categories; and
- 6) KDHE adjustment

III IDENTIFICATION OF POTENTIAL PROJECTS

Potential projects for inclusion on the project priority list may be identified by public water supply officials, by KDHE, through participation in national needs surveys, through routine inspection and special studies; or by federal, state, or local agencies.

Projects may also be identified by the Secretary of KDHE in accordance with section IV.4 as necessary for correction of an emergency condition.

IV ADMINISTRATIVE PROCEDURES

KDHE will use the following procedures in administering the priority system.

1. The Bureau of Water will prepare annually, a tentative priority list of all projects to be included in the Intended Use Plan for possible funding during the following federal fiscal year. The tentative Project Priority List (PPL) will include the rank for each project. This list will contain projects equal to approximately 150% of available loan funds, to assure money is obligated.
2. The Bureau of Water will give public notice of the PPL and hold a minimum of one public hearing to receive comments. The Bureau of Water will provide information upon request, on the detailed calculation of the priority rank of a project.
3. The highest ranking projects equal to the money available will be given the first opportunity to apply for funding.
4. The Secretary of KDHE may amend the PPL and the Intended Use Plan to include a project requested by the Bureau of Water as needed to protect public health, or to meet emergency needs.
5. Projects will be elevated to the PPL for funding based on priority ranking and readiness to proceed.
6. A project must be listed in the PPL prepared by KDHE and approved by EPA, to receive a loan; unless funded under the emergency provision of VI.4 or the bypass provision of IV.
7. If available monies are not used by the projects identified in the PPL, those funds will be made available to the highest ranked projects ready to proceed. This ability to bypass projects is necessary to assure available funds are obligated on a timely basis.
8. Kansas legislation requires 20% of available loan funds to be made available to public water suppliers that serve less than 5000 people. If available, projects serving less than 5000 people, totaling at least 30% of available loan funds, will be included in the PPL to assure sufficient projects to meet the 20% requirement. Projects from public water suppliers serving less than 5000 population will be indicated on the Project Priority List and may be

included in the PPL regardless of priority ranking, if necessary to meet the 20% requirement

V **PROJECT RATING PROCEDURE**

Projects identified in accordance with Section IV, other than projects identified in accordance with section IV.4, will be ranked by the rating system set forth below. The highest point total denotes the highest priority for funding. A separate ranking will be prepared for each project. Projects will receive points, up to the stated maximum, for each applicable category.

1. Water quality issues:

Acute MCL or treatment technique violation corrected	Up to 35 points
Chronic MCL or treatment technique violation corrected	Up to 30 points
Impending MCL violation corrected	Up to 20 points
Unregulated contaminant correction	Up to 15 points
Compliance with existing administrative order	Up to 10 points
Secondary MCL correction	Up to 10 points
2. Consolidation of two or more water systems 10 points each
3. Reliability improvement:

Second source for single source systems	Up to 15 points
Low water pressure (less than 20 psi)	Up to 15 points
Water restrictions in last 3 years	Up to 10 points
Plant rehabilitation	Up to 10 points
Storage (less than 24 hours)	Up to 10 points
Excessive water loss	Up to 10 points
Distribution system looping	Up to 10 points
4. Beneficiaries income:

LT 80% of State Median Household Income (SMHI)	3 points
GT 80% of SMHI but LT SMHI	1 point
5. Special categories:

Upgrade to meet future regulations	Up to 15 points
Plant expansion	Up to 15 points
Water treatment waste discharges	Up to 15 points
Extend distribution system to unserved area	Up to 15 points
6. KDHE point adjustment Up to 35 points

BACKGROUND

The following background is provided to explain the factors KDHE will consider when awarding points under the project rating criteria. For some criteria, water quality issues for example, KDHE will award points up to a maximum value. For other rating criteria, consolidation for example, the points to be awarded are set in the criterion.

1. Water Quality Issues

This group considers a project's ability to correct violations of drinking water standards. Acute MCL and treatment technique violations are those violations which may have an immediate public health impact, or which require public notices to be given under the acute MCL violation provision of the public notification regulations. Only nitrate MCL violations and acute coliform MCL violations are covered by this provision at the present time. Violations of surface water treatment requirements will be included as an acute violation. Chronic MCL violations are those MCL violations which have health impacts over a longer period of time. Projects to provide treatment for an impending violation will also be considered in this category. Generally, an impending violation would be scored if an identifiable plume of contamination was threatening a water source. Secondary MCL violations are violations which cause aesthetic impacts. Existence of an administrative order to correct an MCL violation will also be considered in this category. KDHE will also consider projects providing treatment for unregulated contaminants which may have health impacts under this category. Extensions of distribution systems to areas with documented water quality problems may also receive points under this section.

2. Consolidation

Kansas law requires the department to encourage regional cooperative projects. Up to 10 points will be added for each system to be served by a project. (Two systems, maximum of 20 points)

3. Reliability Issues

Projects which add supplemental sources of water to systems with single sources are important to assure the reliability of a system and will receive points under this category. KDHE will consider the level of water restriction imposed when awarding points under this category. Restrictions on domestic consumption are viewed as more significant than outdoor restrictions. KDHE will also consider efforts made by an applicant to locate and reduce water losses and promote water conservation. Projects which rehabilitate treatment plants, add storage to meet peak needs, and loop dead end lines are also considered to improve reliability. KDHE will give greater weight to projects which correct low pressure problems, when the problems are documented by field measurements.

4. **Beneficiaries Income**

This section allows additional points to be awarded based on the applicant's median household income and the state median household income. The 2000 Census data on income levels, as found on the U.S. Census Bureau web site, will be used for this purpose.

5. **Special Categories**

Projects can receive additional ranking points if they meet any of these special categories.

6. **KDHE point adjustment**

This category allows KDHE to award a maximum of 35 discretionary points when circumstances exist which are not adequately accommodated by the categories described above.

Appendix D

Public Participation Summary

State of Kansas

Department of Health
and Environment

Notice of Hearing

The Kansas Department of Health and Environment has prepared seven Total Maximum Daily Loads (TMDLs) for streams in the Lower Arkansas River Basin that are impaired by not meeting state water quality standards for chloride and sulfate. These seven TMDLs complete the requirements of Kansas to develop TMDLs for impaired waters in the 12 river basins of the state by June 30, 2006. These requirements were established under a schedule dictated by an April 13, 1998 Court Decree between the state, the Sierra Club, the Kansas Natural Resources Council and the U.S. Environmental Protection Agency to implement Section 303(d) of the Federal Clean Water Act.

The seven TMDLs presented for public review are:

1. Arkansas River from Hutchinson to Maize — Chloride
2. Arkansas River from Maize to Derby — Chloride
3. Arkansas River from Derby to Arkansas City — Chloride
4. Upper Little Arkansas River — Chloride
5. Turkey Creek in McPherson County — Chloride
6. Cow Creek in Rice and Reno Counties — Chloride
7. The Medicine Lodge River — Sulfate

These TMDLs are available for review at the Kansas Department of Health and Environment TMDL Web site: <http://kdheks.gov/tmdl/>. Additionally, copies of the TMDLs can be obtained by contacting the Bureau of Water, Watershed Planning Section, at (785) 296-6170.

A public hearing to take testimony from interested parties will be held from 3 to 6 p.m. Wednesday, June 7, at the Kansas Department of Transportation Building, 1220 E. Fourth St., Hutchinson. The first portion of the hearing will be a briefing by the Watershed Planning Section outlining each of the seven TMDLs. The public record for these TMDLs will be held open until June 20. After reviewing the testimony and public comments, KDHE will make any appropriate revisions to the seven TMDLs and will submit them to Region VII of the U.S. Environmental Protection Agency by June 30.

Any individual with a disability may request accommodation in order to participate in the public hearing process and may request the proposed TMDLs in an accessible format. Requests for accommodation should be made at least five working days in advance of the hearing by contacting KDHE.

Requests or questions should be directed to Tom Stiles, Watershed Planning Section, KDHE, 1000 S.W. Jackson, Suite 420, Topeka, 66612-1367, tstiles@kdhe.state.ks.us, (785) 296-6170 or fax (785) 291-3266.

Roderick L. Bremby
Secretary of Health
and Environment

Doc. No. 033198

State of Kansas

Department of Health
and Environment

Notice of Hearing

A public hearing will be conducted at 3 p.m. Friday, June 30, in the Azure Conference Room of the Curtis State office Building, 1000 S.W. Jackson, fourth floor, Topeka, to discuss the Kansas Public Water Supply Loan Fund (KPWSLF) Intended Use Plan (IUP) for the 2007 program year. Copies of the IUP can be obtained by calling Linda White at (785) 296-5514 or fax (785) 296-5509.

Any individual with a disability may request accommodation to participate in the public hearing. Requests for accommodation should be made at least five working days before the hearing by contacting Linda White.

Comments can be presented at the hearing or in writing prior to the hearing. Written comments should be addressed to Linda White, Bureau of Water, Kansas Department of Health and Environment, 1000 S.W. Jackson, Suite 420, Topeka, 66612.

Roderick L. Bremby
Secretary of Health
and Environment

Doc. No. 033236

State of Kansas

Department of Health
and EnvironmentNotice Concerning Kansas/Federal Water
Pollution Control Permits and Applications

In accordance with Kansas Administrative Regulations 28-16-57 through 63, 28-18-1 through 15, 28-18a-1 through 32, 28-16-150 through 154, 28-46-7, and the authority vested with the state by the administrator of the U.S. Environmental Protection Agency, various draft water pollution control documents (permits, notices to revoke and reissue, notices to terminate) have been prepared and/or permit applications have been received for discharges to waters of the United States and the state of Kansas for the class of discharges described below.

The proposed actions concerning the draft documents are based on staff review, applying the appropriate standards, regulations and effluent limitations of the state of Kansas and the Environmental Protection Agency. The final action will result in a Federal National Pollutant Discharge Elimination System Authorization and/or a Kansas Water Pollution Control permit being issued, subject to certain conditions, revocation and reissuance of the designated permit or termination of the designated permit.

Public Notice No. KS-AG-06-145/152
Pending Permits for Confined Feeding Facilities

Name and Address of Applicant	Legal Description	Receiving Water
Rim Rock Ranch Kent Kelsay P.O. Box 187 Longton, KS 67352	NW/4 of Section 30, T31S, R12E, Elk County	Verdigris River Basin
Kansas Permit No. A-VEEK-E001		
This is a renewal permit for an existing facility for 200 head (20 animal units) of Whitetail Deer.		

FY2007 IUP
Summary of Public Hearing

No one from the public or any other agency attended the public hearing.

FY2007 IUP Public Hearing
Attendance List

June 30, 2006

<u>Name</u>	<u>From</u>
William Carr	KDHE
Dave Waldo	KDHE

Appendix E

List of Ineligible Projects and Activities

List of Ineligible Projects and Activities

In accordance with K.A.R. 28-15-56, the following projects and activities are ineligible for participation in the Kansas Public Water Supply Loan Fund.

Dams, or rehabilitation of dams;

Water rights, except if the water rights are owned by a system that is being purchased through consolidation as part of a capacity development strategy;

Reservoirs, except for finished water reservoirs and those reservoirs that are part of the treatment process and are located on the property where the treatment facility is located;

Laboratory fees for monitoring;

Operation and maintenance expenses;

Projects needed mainly for fire protection;

Projects for systems that lack adequate technical, managerial and financial capability, unless assistance will ensure compliance;

Projects for systems in significant non-compliance, unless funding will ensure compliance;

Projects primarily intended to serve future growth.

Source: 40CFR Part 35.3500, 35.3520 (e), and (f)